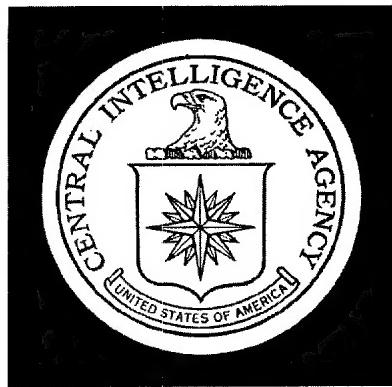


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DIRECTORATE OF  
INTELLIGENCE

# Intelligence Report

# *The Situation in South Vietnam (Weekly)*

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## **WARNING**

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM  
(3 April - 9 April 1967)

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## I. POLITICAL SITUATION

Despite intense behind the scenes jockeying within the upper strata of the military establishment, neither Premier Ky nor Chief of State Thieu has yet emerged as the military candidate for the presidency. In the meantime, two more civilians, Tran Van Huong and Nguyen Dinh Quat, have thrown their hats in the presidential ring. Huong could prove to be a formidable foe to the military candidate, but Quat's following is nearly nonexistent.

Interest in the legislative elections is also on the upswing, as is political activity in the normally placid delta region below Saigon. In the first round of village and hamlet elections on 2 April, 80.5 percent of the registered voters cast ballots, a figure which was exceeded slightly during the second round on 9 April.

### Ky-Thieu Presidential Candidacy Still Unresolved

1. High-level behind the scenes efforts by the military to resolve the impasse between Premier Ky and Chief of State Thieu over the presidential candidacy reached a peak the last two days of March.

[redacted] the eight military members of the Directorate, plus five other influential generals, met three times during that period without reaching a decision on who should be the candidate. [redacted]

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2. The byplay surrounding the dilemma over the military nominee suggests that the military backers of neither Ky nor Thieu are certain of their strength. Some of the generals may prefer that the military as such avoid formally choosing and sponsoring a candidate. If the process of resolving the issue is informally left up to Ky and Thieu, without the intervention of the Directorate or the Armed Forces Congress, Ky may prevail over Thieu, despite his avowals that he will defer to Thieu's decision. Thieu is naturally reticent, and reportedly wary of appearing to abuse his present high position for political advantage.

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3. Ky, on the other hand, has acquired a definite proclivity for public life. He has the added advantage of having activist supporters, General Loan for example, who wield considerable influence over government services which could play a significant part in election campaigning. Moreover, Ky's daily contacts as premier are more often outside the military establishment than are Thieu's.

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5. Ky also has agreed to cooperate fully with the Democratic-Alliance Bloc in the Constituent Assembly, [redacted] On 3 April, bloc leaders discussed with Premier Ky their plans to expand the bloc's influence in the assembly and subsequently to become the nucleus of a progovernment political party supporting Ky's candidacy. Ky reportedly agreed, and implied that he would assist cooperative assemblymen during their campaigns for election to the lower house of the legislature this fall.

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Electioneering in the Delta

6. Political activity is also stirring in the populous, but normally placid, delta area. Within the military establishment in IV Corps, [redacted]

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[redacted] IV Corps commander General Manh may back Constituent Assembly chairman Phan Khac Suu for president if Chief of State Thieu does not become the military's presidential candidate. In mid-March, Manh reportedly stated that he preferred Thieu to Ky, but seriously doubted that Thieu would get the military's endorsement. In that case, he declared, he would unofficially support Suu's candidacy behind the scenes, and predicted that a number of his province chiefs would do likewise.

7. General Manh, the only genuine southerner on the military side of the Directorate, probably does prefer Thieu to Ky. His reported decision to back Suu instead of Premier Ky if Ky is the military candidate--if true--raises doubts about military unity in the face of regional differences. Earlier reports also indicated that some lower ranking southern officers may support Huong's candidacy, regardless of the military candidate.

8. According to the US Embassy, Hoa Hao leaders who are influential in seven delta provinces are currently engaged in a power struggle. Hoa Hao central executive committee chairman Luong Trong Tuong, who generally has cooperated with and supported Premier Ky, has temporarily been replaced, thus jeopardizing Ky's influence with the sect. Tuong may regain the chairmanship, but it is uncertain whether he would be able to deliver a Hoa Hao bloc vote for Ky should Ky be the military candidate. Other Hoa Hao leaders recognize the value of the Hoa Hao unity and are not antimilitary, but they remain southerners at heart.

9. Political developments in the delta cannot be projected with any degree of certainty over the next several months, although one or two tentative conclusions are possible. One is that military unity might not hold up as firmly in the delta as it might elsewhere in the country. Another possibility, however, is that fellow southerners Phan Khac Suu and Tran Van Huong--who announced his candidacy this weekend--may hurt each other by splitting the southern regionalist vote.

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### Legislative Elections

10. Interest in South Vietnam's first popularly elected national legislative assembly is starting to pick up in political circles. As it stands now, the 30-to 60-man upper house will be elected on 1 September along with the president, and the lower house will be elected a month later. The dates, set by the Directorate, could conceivably change in the wake of the Constituent Assembly's current efforts to draft the electoral laws.

11. Several organizations, both inside and outside the government, will probably have an early advantage in terms of existing administrative and political structures from which to launch candidates. In the case of the upper house, elements within the Peoples-Army Council (PAC) and the Constituent Assembly already have plans underway to form ten-man slates which are to compete for blocs of seats. The PAC slates will reportedly incorporate both its military and civilian members, with the possible addition of a few prestigious nonmember politicians, such as Dang Van Sung, Phan Huy Quat, and Tran Van Tuyen. Such slates would seem to offer a formidable accumulation of political experience and occupational backgrounds.

12. The intentions of the various alliances in the Constituent Assembly to enter the legislative races are only beginning to emerge. The leader of one assembly bloc, the Movement for the Renaissance of the South (MRS), recently told a journalist that he is attempting to organize a political party to participate in the elections. He said that the new party would hope to attract young, capable assembly members and openly to sponsor between 50 and 70 candidates in the elections for both houses of the legislature. He also indicated that the party would support Tran Van Huong for the presidency.

13. MRS members, who are generally considered to be militant southern regionalists, have been among the more adamant critics in the Constituent Assembly of the northern-oriented military government, and their support of fellow southerner Huong is not surprising. Vo Long Trieu, who resigned from Premier Ky's cabinet in protest last fall, is acting as Huong's

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unofficial campaign manager, and is very close to the MRS bloc in the assembly. Trieu is also working hard--apparently with some success thus far--to secure the support of the influential Southern Old Students Association for Huong at the expense of association president Tran Van Don.

Another Civilian Candidate for the Presidency

14. Another civilian, Nguyen Dinh Quat, announced on 5 April that he will run for the presidency, according to press reports from both US and Vietnamese news services. Quat's prospects of election appear dim because of his "shady" business reputation and lack of political following. A Roman Catholic, born in North Vietnam, he is also considered to have radical political views. Quat, one of two unsuccessful opponents of Ngo Dinh Diem in the 1961 presidential election, is currently a member of the Constituent Assembly, representing Binh Duong Province, where he is reputed to have a large financial interest in a French plantation.

Village Elections

15. The first two rounds of the village and hamlet elections on 2 and 9 April came off successfully, with threatened Viet Cong terrorism failing to materialize substantially during the voting. The first two phases encompassed some 471 villages, and the remaining participating villages will elect their councils during the next three Sundays. The voter turnout was 80.5 percent of the registered voters on 2 April, and slightly higher on 9 April.

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## II. REVOLUTIONARY DEVELOPMENT

Changes have been made in the national police directorate to streamline its organization and incorporate village police officers into the national system. RD workers are apparently going to receive a more explicit exemption from the draft. A group of lower-ranking ARVN officers is to receive some RD training so that the officers may assist the RD Ministry. The Ministry is relaxing its regulations for funding self-help projects, and apparently will make some changes in the number and location of projected Ap Doi Moi ("Real New Life Hamlets") under RD goals for 1967. There have been several developments in recent months with regard to assistance being given to growing numbers of refugees; a map showing the numbers and distribution of the refugees is included.

### Changes in Directorate General of National Police

1. The regional police directorates in Nha Trang (Khánh Hòa Province) and My Tho (Dinh Tuong Province) were dissolved at the beginning of March by order of General Nguyen Ngoc Loan, director of the national police. The purpose of General Loan's order was to make the four remaining regional directorates coincide with the military corps boundaries and civilian administrative regions.

2. The regional directorate headquartered in Ban Me Thuot (Daklak Province) was to have been transferred by 31 March to Pleiku (Pleiku Province), the headquarters of II Corps. The regional directorates for I, III, and IV Corps are already colocated with the Corps headquarters in Da Nang, Bien Hoa, and Can Tho cities. The Saigon Municipal Police Directorate, with jurisdiction over Saigon and Gia Dinh Province, is unaffected by the changes.

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3. Loan's directive also reportedly established a personnel ceiling of 150 for the respective headquarters of the regional directorates in II and IV Corps. The newly created administrative entities of Cam Ranh Autonomous City and Sa Dec Province have priority in receiving the excess personnel from the two abolished regional directorates.

4. By the end of April, village police chiefs are to be fully absorbed into the national police directorate in accordance with a directive of 4 January 1967. The integration of village police forces was attempted by the national police in both 1963 and 1966, but was blocked for political reasons. The new directive gives village police the option to resign or to accept employment as a village policeman under the village administrative committees. Training of village police officers will become the responsibility of the regional police directorates, with the type and length of training dependent on the background of the individual policeman.

5. A shortage of educationally qualified personnel exists not only at the village level, but for positions throughout the national police system; the shortage is particularly acute in the highland areas. Personnel with the necessary educational requirements are often unwilling to work for the low salaries offered, or to "start at the bottom" even though, as policemen, they are exempt from military draft. The national police may recruit only from within the following age groups: 17-18, 24-29, and 33 and above. The age brackets were evidently set up to minimize competition for draft-eligible males, although the immunity given police may be intended to encourage youths enlisting in the police at ages 17 and 18 to remain with the organization for an extended period.

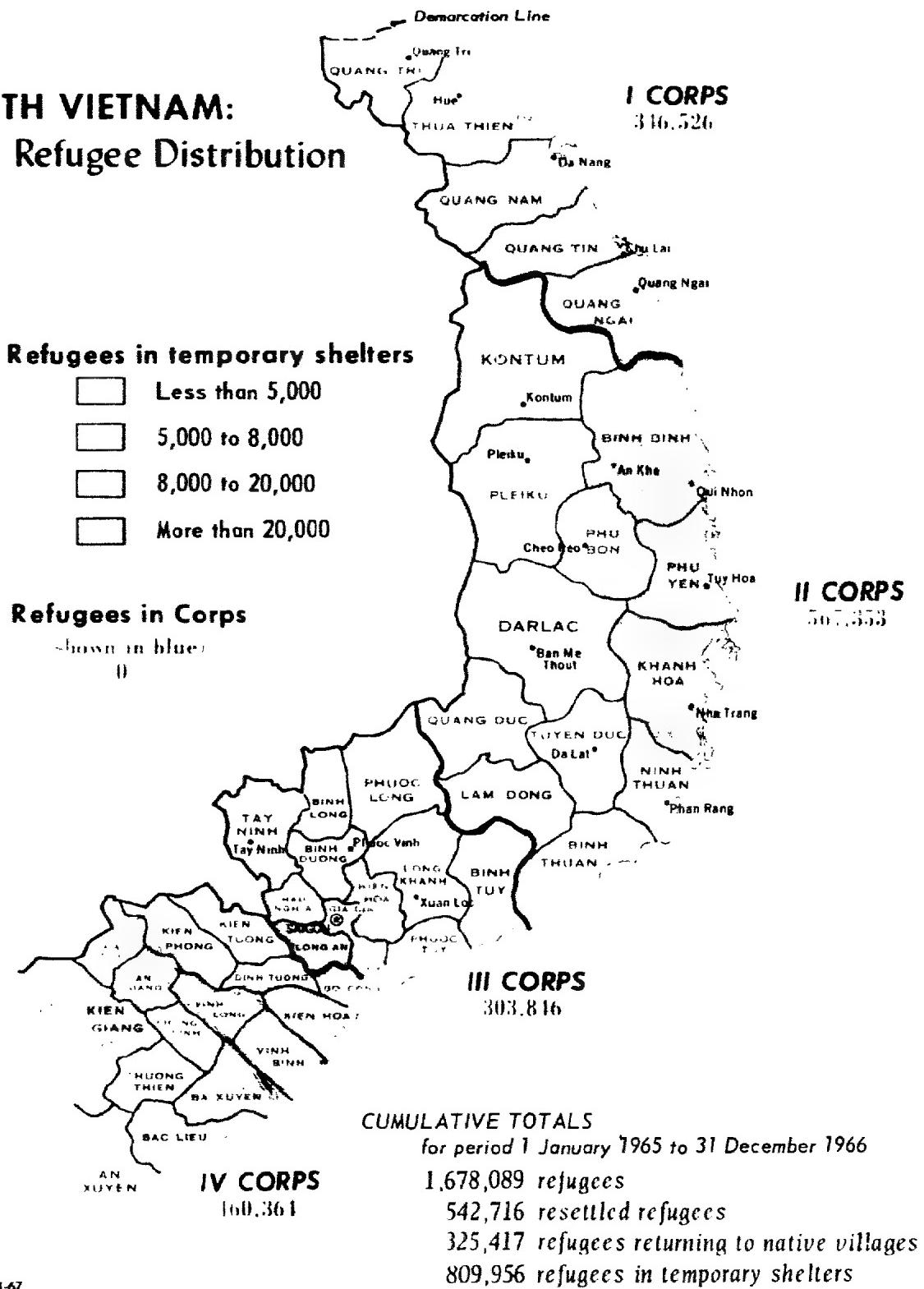
#### Developments in Ministry of Revolutionary Development

6. The draft status of RD workers--long a major problem--may be settled in the near future. General Cao Van Vien, chief of the Vietnamese joint general staff, and General Thang, the commissioner general of the Ministry of Revolutionary Development (MORD), have agreed

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## SOUTH VIETNAM: Refugee Distribution



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on the wording of an order which will provide draft exemption to anyone completing six years of service as an RD worker. The order is expected to take effect this week, upon the signature of Premier Ky.

7. Approximately 100 ARVN lieutenants are scheduled to be sent this month to the Vung Tau RD Training Center for a two to three week RD training course. After completion of the course, MORD plans to use the officers--reportedly the rank most receptive to ARVN's new RD role--in various capacities in order to replace weak leaders in RD programs, and provide unity of command, increase security for RD teams, and assist in RD programs at district levels.

8. The RD Ministry apparently intends to relax a ruling that almost 90 percent of its funded self-help projects be performed in Ap Doi Moi or "Real New Life Hamlets." A new directive is being drafted by the Ministry to provide greater flexibility in the allocation of funds for self-help projects. Perhaps even more significantly, the new order is expected to alter the number and locations of the hamlets to be classified as Ap Doi Moi under existing goals.

#### Refugee Situation in South Vietnam

9. The Special Commissariat for Refugees (SCR) has made arrangements to move approximately 300 families of Nung (an ethnic Chinese tribe) origin from Saigon to the Dong Lac resettlement area in Khanh Hoa Province. Transportation by boat and assistance in the construction of permanent homes for the first increment of 80 families will be funded partly by the SCR and partly by the Vietnamese Confederation of Labor (CVT), with help from a US union.

10. Several other private organizations abroad are also aiding the SCR in the care of refugees. A British philanthropic organization, the John F. Kennedy Center, has agreed to provide funds to construct a primary school in the Ha Thanh Refugee Center in Quang Tri Province. The New York-based International Rescue Committee (IRC) which has provided South Vietnam

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medical doctors and supported a montagnard weaving cooperative in Ban Me Thuot, is expanding its activities in the refugee field and plans to furnish a community development team for the Lai Thieu resettlement village in Binh Duong Province.

11. Two other American voluntary organizations, the "Save the Children Federation" of the Community Development Foundation and the Asian Christian Service, also plan to expand their activities in South Vietnam. The former will emphasize refugee projects in Binh Dinh Province, and the latter plans to send a four-man medical team to Dinh Tuong Province in anticipation of a greater flow of refugees from stepped-up military operations in Region IV. SCR representatives in Region IV provinces are also trying to develop plans for the care and resettlement of increased numbers of refugees.

12. In addition, the League of Red Cross Societies (LICROSS), working with the Red Cross Society of Vietnam, has begun a milk distribution program for 1,000 children in the refugee camp at Phu Cuong, Binh Duong Province. This program will continue when the families are resettled at Lai Thieu. LICROSS has also collected enough money, through responses to its appeals for international assistance, to enable the Vietnamese Red Cross to distribute food and other relief commodities to over 600 refugees in Kien Giang Province.

13. The refugee population in Hau Nghia Province has been gradually increasing as more people abandon their homes in and around the Boi Loi Forest, a long-time safe haven for Viet Cong military units and installations which has over the past year been a target of allied ground operations and air bombardment. Construction of a refugee hamlet within Trung Lap village to house the influx is reportedly progressing satisfactorily. On 15 March, Dr. Que, the Special Commissioner for Refugees, dedicated a new dispensary in Trung Lap which was constructed as a self-help project by the villagers with assistance from an adjacent Ranger Training Center.

14. The residents of the Cathedral Refugee Camp near Qui Nhon city, in Binh Dinh Province, have begun to relocate either to a model refugee site nearby or to

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their original homes. The camp is under supervision of a Catholic clergyman, Father So, who plans to resettle the refugees this year and to erect a school on the camp site. The nearby model refugee site already has 100 families, and within 90 days should be able to accommodate 500 families.

15. The SCR has prepositioned necessary food supplies and equipment to handle an anticipated 6,000 refugees expected to be generated by US clearing operations in the An Lao valley of Binh Dinh Province. Ten-man teams from the SCR, working at temporary resettlement sites at Bong Son, will undertake a census and classification of the refugees who will then be moved to a preselected resettlement area near An Khe.

16. An accidental fire on 31 March in Vo Dat village, Binh Tuy Province, killed two infants and left 238 persons homeless before it was brought under control by RD teams, local Vietnamese troops, and US military personnel. Emergency relief supplies have been provided by the Office of Civilian Operations and plans are already under way to construct new homes, using concrete and other USAID-supplied building materials.

17. Another 6,000 persons made homeless by a fire in the Khanh Hoi area of Saigon on 7 March, have received unusually effective help from GVN agencies, according to the US Mission. The government has seized the opportunity created by the misfortune to rebuild what was a poverty stricken slum and to provide the inhabitants--primarily dock workers and other laborers--with a better housing area, primarily through self-help. A swampy area, previously occupied by wooden or tin shacks on stilts, is to be filled in and better houses are to be constructed. The government is furnishing one-third of the costs of the new housing and the people in the area two-thirds, with USAID supplying the construction materials. In the meantime, families whose homes were destroyed by the fire, have been inoculated, registered, and provided relief items and temporary shelters.

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18. In the Da Nang area, a refugee resettlement project at An Cu is moving ahead steadily. Revolutionary Development workers have been supervising the project since its initiation in 1966 and approximately 520 family units out of an anticipated 1,020 have been completed. Under RD supervision, a 268-man refugee work force, with five trucks lent by an ARVN engineer unit, has now begun to fill in a low elevation area of An Cu, which floods during the rainy season. Construction of an additional 290 units will begin as soon as the fill is completed.

19. Approximately 67 families, numbering over 300 persons, were evacuated on 31 March from two hamlets in Kien Hoa Province to the provincial capital of Ben Tre. The people, residents of an area under general Viet Cong control, contacted a Regional Force unit and requested that they be provided security in moving to a government-controlled area. The relocation, including personal effects and 55 tons of rice, was effected with cargo aircraft and land vehicles and was completed within eight hours after provincial officials were informed of the request. There are some indications that many of these refugees are being classed as Hoi Chanh (returnees) under the Chieu Hoi program, in contradiction of the program's stated intent.

20. The Viet Cong have continued to harass refugee centers in an attempt to dissuade the inhabitants from remaining in the centers and under government control. The latest incident of significance occurred on 21 March in Thua Thien Province at a refugee camp about 21 miles northwest of Hue. The Viet Cong entered the camp, destroyed two bridges and 117 of the 152 houses, and temporarily abducted three people including the wife of the camp chief. The people were told to return to Viet Cong areas or their lives would be in danger.

21. Since the incident, district officials have moved in additional security forces, and US Marines have provided tents, food, and medical care. Preparations are being made to move the refugees to a more secure area. Apparently none of the refugees has returned to Communist-controlled areas.

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### III. ECONOMIC SITUATION

Retail prices in Saigon were generally stable during the period 20 March to 3 April, but wholesale prices for imported commodities continued to rise reaching a new high level. Free market currency prices, which varied only slightly during the week ending 27 March, declined sharply on 3 April as the price of gold continued to decline for the fourth consecutive week. The rice situation in Saigon continues to show signs of improvement. Rice prices have started to decline and stocks are increasing. On 19 March, the US and GVN concluded an agreement whereby the US will finance the importation of 330,000 tons of fertilizer valued at about \$40 million. These imports will satisfy fertilizer requirements through February 1968. According to a recent US Embassy study, economic activity in Thua Thien Province and its capital city of Hue remains relatively stagnant.

#### Prices

1. Retail prices in Saigon were generally stable during the period from 20 March to 3 April. The USAID weekly price index for food items on 3 April was unchanged from 20 March as declines in the prices of rice and fish tended to offset increases in the prices of pork and certain vegetables. The price of rice used by the working class fell on 3 April by two piasters to 27 piasters per kilogram after having held steady at 29 piasters for the two preceding weeks (see paragraphs 4-5). Pork prices rose reportedly because the sale of frozen imported pork, which began on 20 March, ceased. Prices of nonfood items were also relatively stable during the two-week period from 20 March to 3 April. Prices of charcoal and firewood rose slightly on 27 March, but then declined on 3 April. (A table of weekly retail prices in Saigon is included in the Annex.)

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2. Prices of selected US-financed imported commodities continued to rise reaching a new high level on 4 April. During the week ending 28 March prices of almost all imports rose slightly, and during the following week most rose again, with the exception of wheat flour and sugar. The largest increase was in the price of cement, which has risen by about 12 percent since 21 March.

#### Currency and Gold

3. Free market currency and gold prices declined during the week ending 3 April. The price of dollars fell by 10 piasters to 163 piasters per dollar--the lowest rate since the end of August 1966. MPC (scrip) fell by four piasters to the official rate of 118 piasters per dollar. It appears that the prices of dollars and MPC (scrip) are following the downward trend evident in the price of gold during the previous three weeks. On 3 April, the price of gold declined again reaching a level of 216 piasters per dollar, or one piaster below the previous week. (A graphic on monthly and weekly free market currency and gold rates is included in the Annex.)

#### Rice Situation

4. The rice situation in Saigon continues to show signs of improvement. On 3 April prices of all three common types of domestic rice declined slightly. Rice stocks on 30 March amounted to about 18,000 tons compared with 14,000 tons three weeks earlier. Moreover, at the end of March, an additional 27,500 tons of rice were being unloaded from four ships. The emergency distribution system, which was set up on 13 March, appears to be operating smoothly with about 16,000 tons having been distributed by 28 March. Approximately a quarter of this amount was distributed to retail outlets in Saigon; the remainder went to ARVN, the civil service, and other institutional buyers.

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5. It now appears that the GVN will proceed with its plan to purchase rice from delta merchants who are currently holding about 60,000 tons. Merchants will be required to sell half of this amount to the GVN Office of Supply in Saigon at 21 piasters per kilogram during the next month. The Office of Supply will then sell this rice at a probable price of 23 piasters per kilogram. The GVN also is moving ahead with plans to remill American rice to make it more palatable to the Vietnamese. Remilled short-grain American rice probably will be sold at 19 piasters per kilogram.

#### Fertilizer Agreement

6. According to an agreement concluded between the US and GVN on 19 March, the US will finance the import of 330,000 tons of fertilizer valued at roughly \$40 million. These imports, which are well above the level of 1966, will satisfy South Vietnam's requirements for fertilizer through the end of February 1968. Vietnamese imports of fertilizer amounted to about 178,000 tons in 1965. During the first four months of 1966--the only period for which data are available--imports amounted to 17,000 tons. The new agreement provides for the designation of a sole GVN importer, possibly the GVN Agricultural Development Bank, which will sell fertilizer at wholesale to any distributor on an equal basis with regard to price, credit and delivery terms. The wholesale price of urea will be 9 piasters per kilogram and until the beginning of September the retail price will be 11 piasters per kilogram. After 1 September, when the season of peak fertilizer utilization ends and supplies become more plentiful, retail prices will be allowed to vary in accordance with free market forces.

7. The sole importer will deposit counterpart at a rate of 75 piasters to one dollar of fertilizer cost. An amount of counterpart up to one billion piasters will be released to provide credit for distributors. USAID will continue to support refugee and New Life Development projects with fertilizer on a grant basis not exceeding \$2.5 million in value.

Thua Thien Province and Hue

8. The economy of Thua Thien Province and its capital city of Hue can generally be described as stagnant. According to a recent US Embassy study there are two major reasons for this : (1) the province has a small and relatively unproductive cropland area which is declining in size; and (2) very little effort has been made to develop industry in Hue. Apparently Hue prefers cultural supremacy to the more commercial spirit found in Da Nang.

9. Although Thua Thien's major economic activity is agriculture with fishing a poor second, it is still a food-deficit province. Provincial officials estimate that the population is now 602,000 with Hue having 116,000, compared with 1964 figures of 556,000 and 94,000 respectively. Thua Thien has roughly 70,000 farm families who work plots averaging half a hectare in size. The amount of arable land is declining, mainly because the sand hills along the coast seem to be moving inland covering rice land. Salt water intrusion adds to the problem because of the destruction or poor maintenance of salt water dikes. Rice production has been steady or declining during the past few years, and imports make up about half of total consumption:

10. Real income in the province probably is down somewhat or at best has remained static. Prices have continued to rise, and at an increasing rate since the Buddhist "struggle movement" last spring. According to provincial estimates, incomes in Hue have risen by 150-200 percent since 1961, but have not kept up with prices: In 1961 Hue and Da Nang had almost identical wage scales, but now, for similar occupation groups, wages are 20-40 percent higher in Da Nang while food prices are slightly lower than in Hue. All of Hue's imported goods now enter through the port of Da Nang, and the extra transportation requirements increase costs: The province reportedly receives about 7,500 tons of supplies by truck via Route 1 and 1,200 tons by rail each month. Although the capacity of the rail line between Da Nang and Hue is close to 2,400 tons a month, Viet Cong sabotage cuts in half the tonnage actually delivered to Hue.

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11. The impact of the American military presence in Thua Thien's economy is negligible. Fewer than 600 Vietnamese are employed by US forces and agencies in the province. The small number of MACV and civilian personnel in Hue are under a strict curfew, and the city is off limits to the 8,500 marines stationed at Phu Bai, about 15 miles to the south. According to the embassy study, the marines have spent only 2,000 piasters in the local economy during the past few months.

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TABLE

## Weekly Retail Prices in Saigon a/

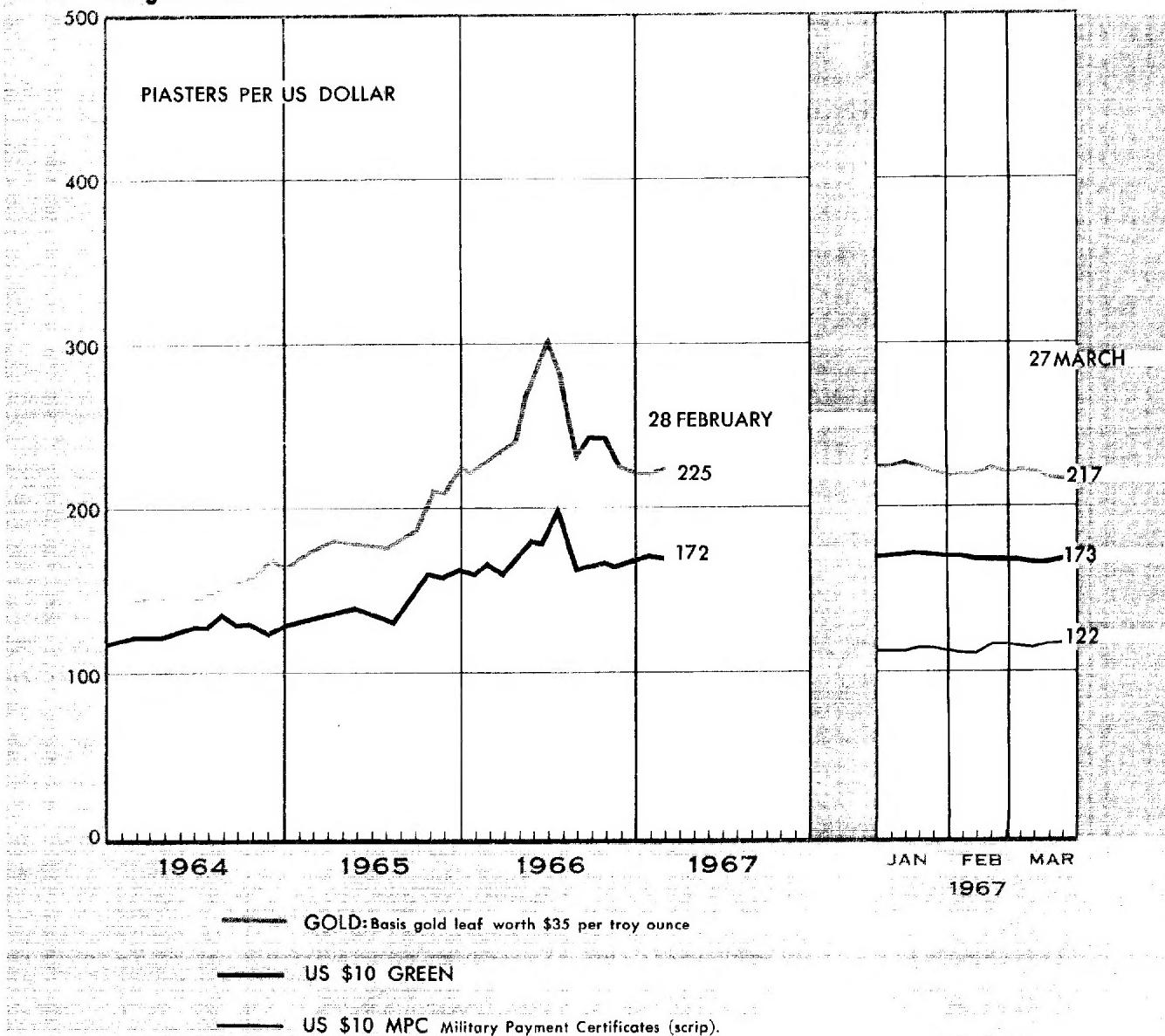
	13 June 1966 b/	16 Aug 1966 b/	13 Mar 1967	20 Mar 1967	27 Mar 1967	3 Apr 1967
Index for All Items	<u>173</u>	<u>211</u>	<u>284</u>	<u>261</u>	<u>260</u> c/	<u>261</u>
Index for Food Items	<u>190</u>	<u>216</u>	<u>324</u>	<u>291</u>	<u>288</u> c/	<u>291</u>
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,450	3,300	2,900	2,900	2,700
Pork Bellies (1 kg.)	90	100	150	120	N.A.	150
Fish Ca-Tre (1 kg.)	130	170	170	160	150	140
Nuoc Mam (jar)	70	85	150	150	150	150
Index for Nonfood Items	<u>140</u>	<u>190</u>	<u>210</u>	<u>206</u>	<u>207</u> c/	<u>208</u> c/
Of Which: (In Piasters)						
Charcoal (60 kg.)	460	600	680	680	690	660
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	37	32	34	34	33
Electricity (kwh)	4.2	N.A.	5.2	5.2	5.2	5.2

a. Data are from USAID sources. For all indexes 1 January 1965 = 100.

b. Price levels just prior to and two months after the 18 June devaluation.

c. Preliminary.

## Saigon Free Market Gold and Currency Prices



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